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ABSTRACT

The three primary sources of funding for public education in America are the federal government, the state government, and the community. This paper presents an overview of trends in funding K-12 public education; the stability of local-funding sources; the value of public education as a factor in cost; political influences on school funding; fiscal implications and local level influence; and the importance of linking educational goals, outcomes, and educational funding. A conclusion is that there are many fiscal (cost of doing business), political (the tax question), and educational reasons (21 Century global standards) for increasing fiscal allocations for public K-12 education. Unfortunately, dependence on local taxpayers places schools in a precarious position. Outdated state-formula systems result in many school districts begging for funding on a biannual basis. (Contains 20 references.) (LMI)

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Financing the Future of Education & Explaining Public K-12 Funding Cost for the 21st Century: A School Finance Primer

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for

The Worthington Community Relations Commission Forum on School Finance

Worthington Community Center

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A Historical Review of Funding Public K-12 Education

The first accounts of funding public education legally as a state responsibility came in the various provisions for state support during the era of transition between the privately church sponsored and dominated Latin Grammar schools and at the onset of Horace Mann's common school initiative. The established system, primarily run for the grooming of aristocrats, did not take into account the needs of an educated common citizenry as promoted in commentaries by John Q. Adams, Alexander Hamilton and Thomas Jefferson at the writing of ***The Federalist Papers***.

Local support for education was also utilized and central to the development of the common school. Hence, the local effort to support public education has been a mainstay as a fiscal resource for public schooling. And although early times did not always include a set fiscal allocation, facilities like a public site for a school house and other costly considerations (e.g.: volunteering supplies, offering to put up/board school masters, providing compensation and credit for school teachers within local economies, etc.) allowed people within communities to establish public education on the primary level.

Various sources of funding have been utilized over the years to fund public education in America. The three primary sources include federal fiscal support, state fiscal support, and local or community based fiscal support. (ECS, 1993). As this country evolved into a democratic world power the need for an educated common citizenry prompted compulsory education laws and periodic review of the goals and objectives of the educational system in place. (Spring, 1991). Thus, fiscal support for public education in America has been influenced due to the era and time frame imposed on any of the three contributing sources.

Despite public debate on the role of the federal government in educational affairs, federal intervention in the of funding public education did not become influential until the beginning of the 20th century. Much can be said about this lack of involvement. For

example, until the 20th century, the expressed or implied powers as granted in the Constitution of the United States was assumed to place issues such as education, because of it's absence of mention, in the hands of each individual state. Thus, the concept of local control was not only a community idea, but a national practice as sanctioned via hands-off federal intervention.

In the early 1900's public education was basically subsidized out of state budgets. This was due to education being considered a high priority. At first, municipalities then states began to tax residents in order to fund public education. However, tough economic times and other influences (e.g.: prisons, creation of highways, development of urban areas, other infrastructural concerns and sociological considerations from parks and recreation to police and fire protection as a mainstay of city services) created competition for state resources. Thus, the funding originally given for public education slowly began to shift to other sources. (Verstegen, 1994b).

After the national debate in 1917 on the "Cardinal Principles" of education began new curriculum shifts and the federal government began to exercise it's fiscal influence and by contributing federal resources for such initiatives. This established a long standing federal practice of adopting goals or issuing mandates and then prompting compliance by funding federal initiatives at the local and state level with federal dollars. The Vocational Educational Act of the early 1918 is another example of such.

Recent Trends in Funding K-12 Public Education

Currently, funding among the three areas vary from state to state. One state, Hawaii, basically foots the bill for the public system of education by contributing over 97% of the total fiscal resources. The federal government chips in approximately 1.9% while the taxpayers contribute a little more than 1%. (Fulton, 1993). In most states, public K-12 education is funded with close to single digits (4-11%) by the federal

government, (40-50%) by the state, and the balance, (between 40 - 64%) by the local taxpayers. (ECS, 1991). Regional differences and cost, migration patterns, and business interest have a substantial impact on the percentages paid locally in each state. (Verstegen, 1995). During the 1989-90 academic year, federal funding for public K-12 education totaled 6.3%, local taxes accounted for 44.3% of educational budgets and state budgets covered 49.4% (ECS,1990).

Since the 1980's supplemental funding for schools has generally come from state or local appropriations. Many states enact surplus taxes or a "vice" tax via gambling proceeds, cigarette or liquor sales taxes (or a portion thereof) that has been earmarked for educational use in some state budgets. The total raised via contemporary legislative earmarking practices[1] generally will not exceed 6% of a state's total educational budget (ECS,1991) and in most cases does not exceed 2 % of real expenditures. The total impact of contemporary earmarking may have little impact, as other areas within the state budget - general appropriations for education may be decreased. (ECS, 1990).

Educational funding, although supported via state budgets, have taken an untraditional approach to relying in some instances on part of it's funding from static proceeds or chance fund-raisers like lotteries. This is a relatively new funding scheme -- less than 20 years old in practice in most states and best utilized as a supplemental support for property, sales, or income taxes (or an combination thereof) to support public education. As a supplement to state tax dollars, such moneys are generally earmarked for educational expenses, however the percentage generated for current operating expenditures is so minute that illusionary images of fiscal support for public education are given. In most instances, the total aggregate of lottery proceeds which support a state department of public instruction total less than 2% of the total state educational budget.

[1]Fungibility clauses within the earmarking provision often allow "educational" funds to be either utilized for other areas or if specifically noted for education the funding generated may simply replace existing funds from the general education appropriation in a shift of funds as needed between state accounts.

Ironically, funding education via chance and other gambling initiatives or "vice" taxes (e.g.: the cigarette sales tax, the liquor sales tax, etc.) has been tied not to public support, but individual habits of consumption.

Stability of Local Funding Sources

Even though the sources of K-12 funding may seem stable, shifts among the percentage of funding given and the way in which the revenue is raised has been static. Furthermore, funding for public K-12 schools are generally tangled in a web of complex intricacies and legislation that prevent any two states from having identical funding schemes. The general financing schemes used by most states include either flat grant, or foundation formulas. Additionally, most states have some form of a District Power Equalization (DPE) programs. DPE's account for taxpayer effort in assuring poor and rich districts raise identical amounts for the same tax rate or tax effort. Finally, one state utilizes a "full state" funding model.[2] That state is Hawaii.

Shifts in the funding of public K-12 education have been noticed over the past 15 years. The general trend shows a decrease in the percentage of federal funding from double to single digits (approx. 11- 6%), an increase in local funding (approx.4-10 %), and a fluctuating yet stable state funding percentage between 40-60%. Much of this is due to the political climate surrounding public education and other fiscal competing interest of the state. This has led to a "no new taxes" crusade across many states.

Two of the largest funding areas within most state budgets are public safety and health care. Thus, the other competing interest of a state's fiscal budget include areas like corrections (prisons) and health (Medicare/Medicaid). In the Ohio governor's proposed biennium budget (FY 1996-7) each area was sizable and both demonstrated the highest

[2]In unique fashion, the District of Columbia Public Schools are funded by the Federal Government; hence, it will be omitted from the local, state, and federal tax discussion in this briefing paper.

percentage of growth and change as a state budget item. (Voinovich, 1995). In fact, the Medicare budget is so large it consumes almost 1/3 of the proposed state budget. In comparison, the elementary and secondary education budget will total a little over 21% if approved. Hence, competing interest like health care is why states have shifted a lot of the responsibility for paying for public K-12 education to taxpayers.

The national political agenda has influenced state and local efforts to improve education through some type of educational reform effort. Educational reform is generally costly. One reason it is costly is because of the recent waive of litigation that has sieged state courts during the past 10 years. Over half of the states in the union have had some type of constitutional challenge directed towards their state funded K-12 finance scheme. The basic issues include adequacy, equity, and excellence. Adequacy refers to the minimum education afforded to each student by law, equity is in reference to equal educational opportunities afford all students within the state system of public instruction, and excellence is in line with new educational outcomes that suggest all students should be able to function in a technologically advanced and global society in the 21st century. Other economically inclined reforms can work with existing funding levels such as "site-based" proposals that focus on shifting the control of funding to site level participants. In principle, this process is not a more costly reform effort.

The Value of Public Education as a Factor in Cost

The "value" of public education for individuals and society has changed over the years as well. Valuation is generally measured or assessed via individual and societal outcomes. That is, outcomes for students (e.g., placement in the workforce, being a critical thinker, etc.) and as an institution (e.g., a school's graduation rate, higher educational placement rate, the district's standardized test scores are just a few examples.) At one time, public education was used as a hegemonic tool to prepare people for their

respective places (like as a caste system) due to race, religious preference, national origin, etc. (Lomotey, 1995; Scheurich, 1995[3] ; Spring, 1991, Giroux, 1981; and countless other sources.) The mainstreaming effect was the attempt of the dominant peoples of this country to have others conform to their standards within America society as a whole. In recent times, even as far back as the 1957 launch of Sputnik by the Russians, education in America has had a more global perspective. Hence, the value of a public education was defined until recently in competitive terms of being able to produce.

Mainstream values suggest education has always been a "way to an end" with the end being a better standard of living, employment opportunities, social status, or all of the above. However, before one could capitalize on such benefits one had to be in line with the social norms of the time. Hence mainstreamed expectations and valued benefits of a public education have, at least throughout the 20th Century, been shaped by a nationalistic focus and an individual's ability to model expected norms. From a sociological perspective, this meant that culture in America, whether Irish, British, Dutch, French, Italian, Jewish, etc. placed one in a hierarchy that in part determined destiny via expectations and opportunities. (Spring, 1991).

In reference to the value of education for the broader spectrum of society, education has again had multiple functions. When the country had room for a lower class of citizenry the function of education was valued driven and practical. In the early years of the republic, agrarian concerns were educational influences. Curricula was adopted so one could learn how to farm. The vocational education movements throughout the 20th century have taken priority compared to agrarian concerns since the country became a metropolitan society. Basic skills as reading, writing and arithmetic were given to those "who would need such skills." College prep programs and tracks have existed for those

[3]Both the Scheurich and Lomotey pieces ran in the same Spring issue (May, 1995) of Education Administration Quarterly. At issue were the seven domains of competency for educators as described by University Council of Education Administration member colleges and universities.

expected to be leaders within the future generations. However, in the global society of the 21st century, the value of funding public education for the American way of life focuses on America's survival since the country's status as *the* world power and economic power of democratized societies has declined.

American schools can no longer shelve cast-off students as waste. All students, from those who are gifted to those with special needs and the growing class of "at-risk" students demands that teachers today have more skill than before. This factors heavily in educational cost, as the need for professional staff development budgets have skyrocketed in an attempt to keep pace with the changing students of the times. Simply put, it cost more to educate some students than others. This is why a weighted per-pupil cost expenditures are utilized for different groups of students. Hence, it is in the best interest of the federal and state and local government to continually invest in a quality education for all students.

Political Influences on School Funding

The political ramifications of funding current systems of public education are staggering. Since 1917, there have been 44 state legal challenges to public K-12 school funding schemes. (ECS, 1993). Politicians use education as common props for their elections (i.e.: the 'education president', the 'education governor', etc.) Many schools systems have had to merge or closed due to a loss of operating revenue. Nevertheless, the antiquated system of school funding in place in many states (generally over 70 years old) has fiscally stripped some public educational entities from completing their task satisfactorily. (Verstegen: 1994a, 1994b, 1994c). Most states still utilize either a flat grant or equalization formula to fund public K-12 education. In most states, flat grants do not change often enough to keep up with the pace of inflation and other cost-of-doing business factors like capital improvements, and foundation formulas do not guarantee

anything above a minimum level of funding to support educational efforts. Foundation formulas have also been know to create disparate impacts via the variance of public funding levels between school districts within the same state. Hence, the quality of what the public gets for the dollar has been questioned since the publishing of ***A Nation At Risk*** in 1983.

Educational accountability is a major reform effort prompted by the publishing of ***A Nation At Risk*** that directly ties educational funding to educational outcomes. The question: What is the correlation between spending and a quality education? has been much debated and publicly questioned since **The Coleman Report** in 1966. Coleman's (et al.) findings suggested that there was no correlation, at least of a statistical significance between money and the quality of education. However, what many people do not know is that Coleman, in his study, either controlled various variables, or did not include some variables -- some of which today would be key variables in figuring the cost of a quality or thorough and efficient education (e.g.: demographic changes, special needs students, etc.). (Persell, 1977). However, Coleman's position is not the logical or only position valued. Research indicates that fiscal allocations of economic resources is related to academic achievement. (Brown and Saks, 1975; as cited in Persell). It is also feasible to relate educational outcomes to economic resources (Ritterband, 1973; as cited in Persell).

Fiscal Implications and Local Level Influence

The implications from variable sources of funding can best be characterized on the state and local levels. The logic substantiates this because it is through the unison of both efforts that the creation of "separate yet unequal" schools has been allowed to flourish.

Flexibility, equity and equality, accountability, and adequacy have been the main targets of the 44 lawsuits brought to right public education from providing disparate impacts to different groups of students. The gap in the quality of education afford some

students within the same state's borders have been so pronounced that the two-tiered finance structure (state & local) has promoted 'inferior schools and substandard educational opportunities' for poor students. (Kozol, 1991).

For example, flexibility refers to the ability of the state funding scheme to provide variables methods to assist local districts in providing a "thorough and efficient" system of public education to all students in Ohio. (Governor's Expert Panel Report, State of Ohio, July 1995). Equity is in reference to the proportional amount of educational spending among the State of Ohio's 611 school districts used in part as a measure of efficiency via cost per-pupil expenditures for a minimum quality education. (Governor's Expert Panel Report, State of Ohio, July 1995). Accountability is a public concern that suggest public spending support educational outcomes and adequacy deals with equal amounts of state subsidizing for school districts based upon the state foundation formula.

Currently, the State of Ohio utilizes two output measures to evaluate the "value" of public education for both society and individuals: 1.) the Ninth Grade proficiency exam and 2.) student drop-out rates. (Governor's Expert Panel Report, State of Ohio, July 1995). The same report suggest a new system of funding public education in the state is needed if funding public education is to provide equitable educational opportunities for all students. The first suggestions includes working with the current tax structure and phasing in a funding plan that places the bulk of the fiscal responsibility back on the State of Ohio. The second plan emphasizes a multi-tiered approach that would allow the state to fund a portion and have the local school district match funds for expenditures with the exception of funds needed for categorical aides. The long term effects of either plan have not been fully analyzed or predicted in order to determine the viability of each plan. However, each proposal at least offer a temporal solution to the current crisis existent in the Ohio funding scheme.

This approach would not absolve the federal government from fiscally supporting public education at both the state and local level. Many categorical aides have been designed due to federal definitions of poverty and the like. Categorical aides include yet are not limited to areas like special education funding, disadvantaged pupil aid, and other characterized spending factors that increase the cost of educating a child in the weighted state system. Once again, weighted figures are utilized because it cost more to educate some students than others.

Linking Educational Goals, Outcomes and Educational Funding

Regardless of the funding source, and assuming that the funding of public education will continue to be a collective venture among local, state and federal entities, the goals of public education are likely to follow suit. National educational goals influence state and local educational goals, and the success of public education as a whole is dependent on the funding made available for public schools. This underscores the importance of developing planning linked in structure, format and substance to the national education goals (Goals 2000). States who apply for federal grant in aid funds must match the national agenda (Ohio 2000). Likewise, local entities (Worthington's Performance 2000 Plan) must match the state's goals in order to secure federal funds for the local efforts. It is anticipated that this *'patterning affect'* will become a requirement for non-categorical funds to trickle down into local economies.

The delivery of an adequate funding package for public education is long overdue. (Verstegen, 1994a; Verstegen, 1994b, Fulton, 1993). Taxing for the public good although a necessity is not the politically correct thing to do. The increasing cost of a quality education -- and state and federal mandates, forces school districts to either find additional funding via local efforts or to do the best that they can given their fiscal resources. This highlights the extremely costly political nature of fiscal considerations for public K-12

education. Most state fiscal schemes are inattentive to cost differences among school districts. Only six states try to account and balance for such. (ECS, 1990). Other fiscal considerations which collectively highlight the political nature of (possible tax increases) of public K-12 education include: 1.) some indicator of cost (previous years butget vs. actual or program cost) 2.) fiscal capacity/willingness (the ability and desire of the local taxbase to continually support education) 3.) Price differences (due to market conditions) and 4.) Pupil need (different types of students cost different amounts above or below the alloted per-pupil expenditure if educated effectively.) (ECS,1990).

The Michigan experiment (in letting the taxpayers decide where to tax and raise funds for schools) suggest one way to create additional funding for public k-12 education in Ohio. Although throwing out the system currently in use without a replacement may be haphazard and impractical, adjusting the system until a complete overhaul could be devised may, as the Expert Panel's Report suggest, be the best alternative.

Conclusion

There are many fiscal (cost of doing business), political (the tax question), and educational (21st Century Global Standards) reasons that support and substantiate increased fiscal allocations for public K-12 education. Unfortunately, shifts in the percentage of education funded by local taxpayers has increased in many states over the past 20 years. This shift has been necessitated by shrinking federal and state allocations for public education during the same time frame.

As noted earlier, the federal government has shifted much of the fiscal responsibility for public k-12 education on state governments and local citizens. The state wants the federal government and local taxpayers to pick up a higher percentage of the total cost, and local taxpayers want the state and federal government to pick up the largest proportion of cost for public K-12 education. In each case, the bulk of each

interest wants to assume the least amount of fiscal responsibility. Politically, local tax payers (in most instances) cannot say no to other increases in taxes like a state income tax. Rarely has the populace of a state (Michigan is a recent exception to this example) been able to say yes or no to any state tax increase. And even when they did, it was at the expense of choosing alternatives between raising sales, income or property taxes. In most states and localities, the only tax a taxpayer can reject -- despite the current need, is the school or property tax. Thus, fiscal common sense dictates a lack of support for public education by many local taxpayers. This places funding for schools via taxes in a precarious position.

Local taxpayers need to understand the general cost of doing business factors associated with running a modern, global-standard educational system. Higher educational standards are in place so that American children will be knowledgeable and productive in a global economy. An outdated state fiscal formula promotes public begging on a bi-annual bases by many school districts. Educational realities mandate different amounts of money be spent on different types of students. When taxpayers recognize how costly an accurate educational cost is for a quality education and the factors influencing this rising figure, many will understand why school districts continually seek fiscal support for operating expenditures and capital cost and how the outdated formula system many states still rely on (including Ohio) does not support public education in the manner needed. Until these changes are made, it is likely that the local taxpayer will continually get squeezed to support public K-12 education in Ohio, and nationally.

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